



# AIR FORCE CONTRACTING NEWSLETTER

HEADQUARTERS UNITED STATES AIR FORCE AFRP 64-1 NO. 12

SUMMER 1995

## Annual Report Edition

### *EXECUTIVE SUMMARY*

This Annual Report summarizes major accomplishments during 1994 which demonstrate the outstanding abilities and dedication of our Air Force Contracting professionals, over 9,000 strong. You completed your mission of meeting the Air Force's warfighting needs with outstanding results.

1994 was a landmark year in acquisition. With the passage of the Federal Acquisition Streamlining Act (FASA) of 1994, many of our policies and processes will change; we believe, all for the better. We discuss a few of the more important initiatives inside this newsletter. A wealth of information is available to you to understand these initiatives, including satellite training in October 1995 and schoolhouse training.

Contracting personnel supported a multitude of worldwide contingency operations. Since 1990, we have deployed over 700 personnel, officer and enlisted, to provide for our troops and citizens in need. Throughout 1994, Contracting supported operations in places such as Saudi Arabia, Iraq, Haiti, Somalia, Egypt, and Turkey.

There are some tough, but not insurmountable, challenges ahead in 1995. The main one may be how to be as productive, or more productive, despite the large drawdowns in our Contracting population. We know how hard you are working. You and your management can smartly meet these challenges by taking advantage of more productive methods of your business, such as the following:

- Micro-purchase Techniques. Under \$2,500, almost all regulatory and law requirements are waived, greatly simplifying your purchasing.
- IMPAC Credit Cards. These can relieve you of significant amounts of routine purchasing, especially under \$2,500, and allow you to concentrate on your more complex procurements.
- Electronic Contracting/FACNET. For appropriate customer requirements you can lower lead time using FACNET for acquisitions above \$2,500 and under \$100,000 if your activity is certified.
- Commercial Item Acquisitions. The expanded authorities for acquiring commercial items in the Federal Acquisition Streamlining Act and the implementing FAR coverage will give our Contracting officers unprecedented flexibility, encourage more competition and relieve both Government and industry of many burdensome contract requirements.

As Contracting professionals, we need to continue to be the catalyst for innovative approaches and implementation of streamlined techniques. I look forward to working with you in continuing our vital contributions to the Nation's security.

**TIMOTHY P. MALISHENKO, Brig Gen, USAF**  
Deputy Assistant Secretary (Contracting)  
Assistant Secretary (Acquisition)

# ACQUISITION REFORM -- A VISION FOR OUR FUTURE

## Acquisition Reform -- *Streamlining Initiatives*

- Emphasis on Commercial Items
- TINA Changes
- FACNET
- Simplified Acquisition Threshold
- Small Business Changes
- Source Selection Changes

### *Contracting Newsletter* Summer 1995

The Secretary of the Air Force has determined that the publication of this periodical is necessary in the transaction of the public business of the Department as required by law. Use of funds for printing this publication was approved on 11 Jul 88, in accordance with AFRP 64-1.

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Secretary of the Air Force

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Editor

*Contracting Newsletter* is an official, nondirective HQ USAF departmental publication. Its purpose is to provide Air Force Contracting personnel with timely information relating to mission accomplishment; to assist them in solving problems and improving efficiency of operation; to communicate new developments and techniques; and to stimulate professional thought and development. The views and opinions expressed by individual contributors, unless otherwise specifically indicated, are those of the individual author. They do not necessarily reflect the official viewpoint of the Chief, Contract Support Division, SAF/AQCX; the Department of the Air Force; or any other department or agency of the United States Government.

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*The use of a name of any specific manufacturer, commercial product, commodity or service in this publication does not imply endorsement by the Air Force.*

1994 marked the formal initiation of acquisition reform as the Federal Acquisition Streamlining Act of 1994 became law. The Act drastically revises our day-to-day business functions and provides extensive opportunities for new, innovative approaches in the acquisition process. Some highlights of FASA include:

- Commercial Items: FASA expands the definition of commercial items. It mandates more extensive market research to identify potential commercial answers to acquisitions. New commercial procedures will limit the number of mandatory clauses, along with limiting flow down requirements.

- Truth in Negotiations Act (TINA): FASA established a permanent government-wide threshold for requiring cost and pricing data at \$500,000. The law revises the circumstances when cost or pricing data are required and establishes an exception for commercial items when price reasonableness can be determined based on price analysis.

- Federal Acquisition Computer Network (FACNET): FASA mandates the establishment of FACNET (EC/EDI) and identifies the required functions of it. Activities must meet certain criteria to be FACNET certified on an interim and full capability basis. FACNET acquisitions have unique notice, solicitation, and response time procedures.

- Simplified Acquisition Threshold: FASA establishes the Simplified Acquisition Threshold to replace the term "Small Purchases." The threshold is \$100,000, except for contingency contracting which is \$200,000. Acquisitions using the Simplified Acquisition Threshold are relieved of 12 current procurement-related laws and all future procurement-related laws unless specifically not exempted. FASA also establishes the micro-purchase threshold of \$2,500. Acquisitions below \$2,500 are provided even more streamlined procedures.

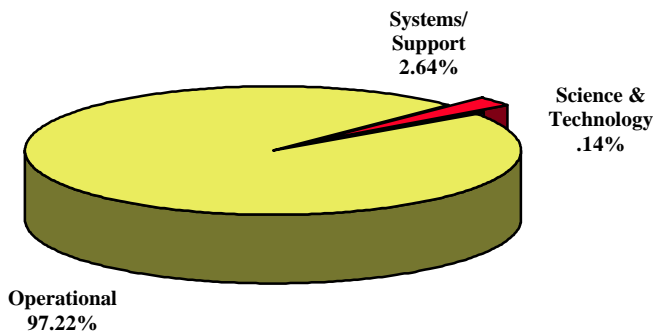
- Small Business: FASA creates an automatic Small Business reservation for acquisitions between \$2,500 and \$100,000. It also establishes the set-aside program order of precedence. It adds women-owned small businesses to subcontracting plans and repeals the labor surplus area set-aside and DoD Certificate of Competency requirements. Finally, the five Small Business-related certifications and representations are combined into one.

- Source Selection/Contract Award: FASA mandates that all significant evaluation factors and subfactors be disclosed to offerors. It also requires that the relative importance of cost versus other factors be stated in the solicitation and that past performance be a part of the evaluation. Use of nongovernment employees in the evaluation of proposals is limited by FASA. In addition, the law requires that unsuccessful offerors be notified within three days, that debriefings be requested within three days of notification, and that the debriefing be conducted within five days of request. Finally, it mandates that debriefings provide more detail.

# AIR FORCE CONTRACTING -- CONTINUED CHALLENGES & RESPONSIBILITIES

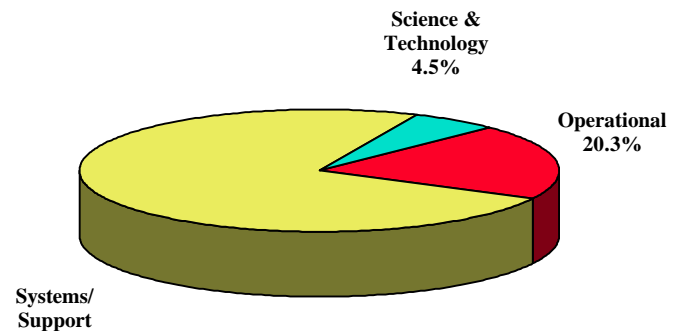
Air Force Contracting has always shouldered tremendous responsibilities across the total spectrum of Air Force missions -- and it still does!

## Actions - 2.8 Million



The number of actions are slightly lower than FY93 (3M). Most of this reduction is due to increased use of IMPAC cards and more decentralization.

## Dollars - \$42 Billion



We also saw a decrease in dollars obligated since FY93 (\$44B) as the impacts of budget reductions became more apparent.

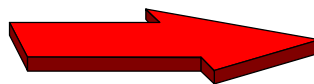
*Even with these decreases, we're still big spenders when compared with industry!*

If our Contracting dollars equated to sales, the Air Force would rank **12th** in the Forbes 500.

### Forbes 500 Corporation Sales\*

	<u>\$ Billions</u>
1. General Motors	155
2. Ford Motor	128
3. Exxon	100
4. Wal-Mart Stores	82
5. AT&T	75
6. IBM	64
7. General Electric	60
8. Mobil	59
9. Sears Roebuck	54
10. Philip Morris	54
11. Chrysler	52
12. Kmart	34

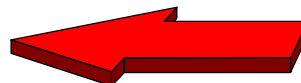
USAF - \$42B



### Commercial Purchasing Operations\*\*

	<u>\$ Billions</u>
1. Ford Motor	63
2. General Motors	53
3. Chrysler	28
4. IBM	22
5. General Electric	22

USAF - \$42B

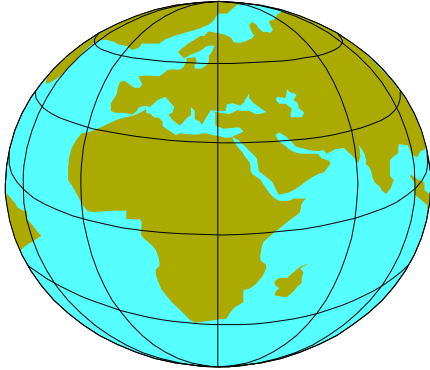


And as a "Purchasing Department," the Air Force would rank **3rd** among commercial purchasing operations.

\*Forbes, 24 April 1995

\*\*Purchasing, 10 November 1994

# AIR FORCE CONTRACTING IS PEOPLE SERVING A WORLD-WIDE MISSION



Our Contracting professionals are located at every corner of the globe:

- 135 Buying Offices
- 13 Commands and Reporting Units
- 39 States from Elmendorf AFB AK to Hickam AFB HI to Hanscom AFB MA
- 15 Countries from Denmark to Thailand

During FY94, we provided an ever-increasing range of supplies and services to support the Air Force systems/support, science and technology and operational missions. We provide everything--

From:	Airframes and Related Spares	\$11.2B ↑
	Electronics and Communications Equipment	4.5B ↓
	Missiles and Space Systems	4.9B ↓
	Aircraft Engine and Related Spares	1.6B
To:	Foreign Military Sales	4.7B
	Services	4.7B ↑
	Construction and Related Equipment & Supplies	1.6B
	Weapons and Ammunition	.4B ↓
To:	Vehicles	103.3M ↓
	Textiles and Clothing	27.8M ↑
	Photographic Equipment	12.9M
	Petroleum, Fuels and Lubricants	10.1M

↑ or ↓ indicates significant shift up or down since FY 93.

Our people are our most valued resource --  
A diversified, qualified team of over 9,000 professionals:

Officers	1,045
Enlisted	1,196
Civilians	6,532
<u>Foreign Nationals</u>	<u>258</u>
<u>Total</u>	<u>9,031</u>



# AIR FORCE CONTRACTING -- SERVING THE PUBLIC GOOD

## Air Force Competition

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
%Dollars	65.3%	57.0%	51.0%
%Actions	97.4%	97.2%	97.3%

The Air Force has always been committed to the principles of competition. Our competition rates continue to be outstanding in terms of actions. As a percentage of dollars, our rates have declined since FY92. Major reasons for this decline are fewer new starts and continued modifications of our maturing weapon systems.

The Air Force is also a strong supporter of the small business community and has traditionally been a leader in Small and Small Disadvantaged Business (SDB) contracting. After achieving an all-time high in FY93 with our percentage of awards and dollars to Small and Small Disadvantaged Business, we surged even higher (in percent of awards) in FY94.

## Air Force Small Business Awards

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
%Awards	13.8%	15.2%	16.0%
Total Dollars	\$4.8B	\$5.3B	5.3B

## Small and Small Disadvantaged Business Awards

% Dollars	4.0%	4.6%	4.9%
Total Dollars	\$1.36B	\$1.63B	\$1.61B

## Javits-Wagner-O'Day Awards

	<u>FY93</u>	<u>FY94</u>
Actions	125	140
Dollars (Millions)	\$35.7M	\$51.2M

The 10 ABW/LGC at the U.S. Air Force Academy was awarded the President's Committee award under the Javits-Wagner-O'Day Act. With the award of the \$3.4M Cadet Dormitory Custodial Service Contract to the National Institute for the Severely Handicapped (NISH), the Academy became the largest single employer of disabled individuals in the Colorado Springs area.

In our role as the stewards of public dollars, it is critical that our process be open and fair in order to earn the public's trust. As a part of this open process, at the Air Force level, with your assistance, we responded to over 500 Congressional/White House inquiries.

## Congressional/White House Inquiries

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
Total:	589	587	526

## Air Force/GAO Protest Activity

	<u>FY93</u>	<u>FY94</u>
Total Protests Received	493	358
Total Protests Decided	532	346
Sustained	8(2%)	4(1%)
Denied/Dismissed	392	232
Withdrawn	132	110

Protests received are considerably less than last year, perhaps due to expanded industry debriefings. We continue to maintain an excellent record by winning 99% vs. the 89% rate of those filed with the GAO. Generally, contracting offices and legal offices are producing superb protest files.



# OPERATIONAL CONTRACTING

**Audit On "IMPAC" Purchase Card.** The Air Force Audit Agency reported on the Air Force's implementation of the "International Merchants Purchase Authorization Card" (IMPAC) for the direct purchase of supplies valued at less than \$2,500. They found that IMPAC is an efficient, cost effective, small purchase program, although it is vulnerable to fraud, waste and abuse. Based on their findings, we developed new program guidance that emphasized closer surveillance and control by IMPAC program coordinators, and administrative/disciplinary action by commanders against those who willfully misuse the card.

**Contracting Squadron Commander's Course.** SAF/AQCO sponsored its week-long Operational Squadron Commander's Course at Maxwell AFB in July 1994 and at Lackland AFB in July 1995. These sessions helped prepare 45 Air Force officers for command of contracting squadrons all over the world, and provided six civilian Directors of Business Programs with an opportunity to learn the latest concepts. Taught by hand-picked, highly experienced and dynamic instructors (successful commanders and experts sharing their real-world experiences), the course emphasizes how to lead and manage a contracting squadron. Lively discussions and the cross-flow of techniques and information were the key to two more successful courses.

**Squadron Commander's Selection Board.** The Chiefs of Contracting continued to work together to select the best potential candidates for new contracting squadron commander positions through a unique selection board process. During 1994, 35 squadron commanders were placed using the board's recommendations.

**Electronic Data Interchange (EDI).** In 1994, EDI was being promoted in the Federal government as a primary means of streamlining the acquisition and contracting process. The Air Force began installing EDI capability at the Air Logistics Centers and operational base sites. By the end of the year, many operational sites were either testing or using EDI to make actual purchases. As of August 1995, we are capable of using EDI at over 70 sites. EDI is normally being used in the Air Force for small dollar value, open market, commodity awards. As a wider range of commercial suppliers come on-line, we expect EDI to become a more efficient and effective tool. This will be a time of "growing pains" for contracting squadrons and their suppliers. Contracting and contractors mastered the PC, then faxes-- now it's time to master EDI.



**Procurement Management Reviews (PMRs).** SAF/AQCO was still out there doing PMRs of operational contracting offices. During 1994 we reviewed the Air Force Special Operations Command and the Air Combat Command, visiting contracting squadrons at Hurlburt Field, Nellis AFB, Whiteman AFB, and Langley AFB, as well as the ACC Contracting Squadron, HQ ACC/LGC, and HQ AFSOC/LGC. We also did a "relook" at a site we had reviewed in 1993, to assess implementation of corrective actions. We were proud to report again that we had good people supporting Air Force Contracting with sound processes, although our reviews continued to show that many processes needed improvement. Our 1994 findings were often repeats from the year before: PNMs need to address **why** a price is fair and reasonable, not just declare that it is; technical evaluations by customers (usually CE) need to assess specific technical aspects of a proposal, COs should not accept evaluations that essentially say "this looks good to me"; and construction and SABER contracts need more thorough contract administration. If you want to know what the PMR team looks at, ask your MAJCOM LGC for a copy of the AF PMR guide. PMRs reveal that good squadrons have self-inspection programs and training.

**AFDW Reorganizes and Relocates.** In late 1994, the Air Force District of Washington Contracting Office, also known as the 1100th Contracting Squadron based on Andrews AFB MD reorganized. It split into two squadrons, the 11th Contracting Squadron (relocated to Bolling AFB DC) and the 89th Contracting Squadron (which remained at Andrews AFB and became a part of the Air Mobility Command (AMC)). This restructure conforms to the objective wing concept by giving each Wing its own contracting office.

## **NON-APPROPRIATED FUND (NAF) CONTRACTING -- PROVIDING QUALITY OF LIFE**

The Air Force Non-Appropriated Fund Purchasing Office (AFNAFPO) is constantly looking for ways to save NAF dollars and provides programs that do just that. The Essential Products Program (EPP) generated \$1.9M in savings against \$6.5M in purchases as AFNAFPO exercised its ability to purchase quality, standardized items at economical prices. AFNAFPO currently has 14 major EPP contracts on essential items like clock radios, bowling balls, and irons. Prime Vendor gained momentum during FY94. This program facilitates the predominant use of a single food supplier and standardizes use of food products for all base-level food service activities. Food purchases under Prime Vendor totaled \$28.7M with an estimated food cost savings of \$3.0M.

### **NAF CENTRAL BUYING\***

	<u>Actions</u>	<u>\$ (M)</u>
AFNAFPO	4,538	49.0
<u>NAF Base Orders</u>	<u>105,762</u>	<u>139.6</u>
<b>Total</b>	<b>110,300</b>	<b>188.6</b>

\* Excludes Small Purchases Outside AFNAFPO

# OPERATIONAL CONTRACTING -- PROVIDING MISSION SUPPORT AND QUALITY OF LIFE

## SIGNIFICANT ACCOMPLISHMENTS

Over the past year, our operational contracting units have developed streamlined ways to provide the supplies and services that keep the Air Force running. The following activities and awards exemplify the diversity and creativity of their efforts:

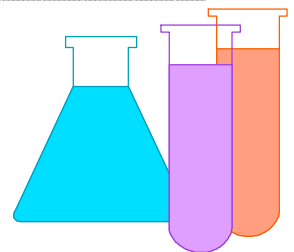
- ACC:** ACC Contracting teamed with their Comptroller counterparts to participate in the total Top Dollar program for FY95. There will be three Numbered Air Force (NAF) competitions, a MAJCOM competition, and finally an Air Force level competition.
- AETC:** The Defense Commissary Agency (DeCA) Support Flight was established at the AETC Contracting Squadron. This flight provides contracting support to 230 CONUS commissaries.
- 11CONS:** Awarded a contract which converted the old commissary facility (45,000 sq ft) into usable space for the Air Force Band and allowed the disposal of the seven wood framed, World War II vintage, substandard facilities previously occupied by the band.
- AFMC:** Conducted a Comprehensive Omnibus Budget Reconciliation Act study to determine whether it was more cost beneficial to lease or purchase vehicles at 17 Air Force locations. In a separate action, an activity executed an energy savings agreement with a local utility company which enabled the installation of energy saving improvements on base. Air Force funding of these improvements occurs only if energy savings are achieved.
- AFSPC:** The 21st Contracting Squadron, working with their local communications squadron and finance personnel, reviewed the entire process by which Federal Information Processing (FIP) resources are purchased and found many steps that could be simplified or eliminated altogether. These changes reduced total lead time, from customer need to product delivery, from an average of over 200 days to an average of about 18 days.
- AFSOC:** Established innovative programs to include a "while-you-wait" Customer Service Center to handle customer inquiries, buy walk-throughs, and resolve customer problems. Also, AFSOC customized Base Supply's and Accounting and Finance's BCAS menu access allowing maximum benefit for electronic response, reduced lost transactions, and greater control of AF Forms 9.
- AMC:** Developed a new acquisition strategy to procure domestic commercial airlift services. Central to that strategy is a Master Solicitation (MS), using a real-time electronic communication system, which details the terms and conditions of all future contracts. DoD-approved carriers have access to the individual solicitations (which simply reference the MS) through the Value Added Network (VAN) of their choice.
- PACAF:** In conjunction with their 1995 Contracting Conference, Major General Robert Drewes officiated at the PACAF ribbon cutting on the first base (Hickam AFB HI) to come on line in PACAF with EC/EDI. To date, Hickam AFB HI, Kadena AFB Japan, and Anderson AFB Guam have EC/EDI implemented.
- USAFA:** In partnership effort, Fort Carson, Peterson AFB, and USAFA have combined medical requirements in order to achieve savings through quantity purchasing. With the combination of the three installations' requirements, a 34% cost reduction was realized.
- USAFE:** Awarded Mediterranean Communications Contract (MEDCOM), a \$26 million, Fixed Price Award Fee contract designed to support all communications sites throughout the countries of Turkey and Greece, including base operations and maintenance services for sites in Greece.

## SCIENCE & TECHNOLOGY COOPERATIVE AGREEMENTS: A New Path to Technology

In 1994, the Military Departments began using the Congressionally granted authority to use cooperative agreements as vehicles to enter into partnerships with industry to support projects that promote the integration of the military commercial industrial bases. These agreements are authorized only for basic, applied, and advanced research projects in areas where, in addition to military applications, there is a strong, near-term potential for commercialization of the resulting technology. The agreements are not procurement contracts, so procurement laws and policies do not apply.

Ideally, these instruments will encourage commercial firms that otherwise conduct little or no business with the Government to partner with our labs in projects that are of interest to both parties.

Some of these firms are world-class leaders and one-of-a-kind suppliers of critically needed technologies, but have been reluctant to contract with the government because of our procurement requirements such as FAR cost accounting standards and principles. The authority to issue the agreements has been delegated to the four super Labs--Armstrong Laboratory at Brooks AFB; Phillips Laboratory at Kirtland AFB; Rome Laboratory at Griffiss AFB; and, Wright Laboratory at Wright Patterson AFB. Although these agreements are not appropriate for all S&T projects, our labs have begun using them when possible.



# SYSTEMS/SUPPORT CONTRACTING -- A TEAM APPROACH

From 4 through 6 April 1995, the first Systems and Logistics Contracting Conference was held in Washington DC. This conference, held in conjunction with the annual Spring Operational Contracting Conference, emphasized "Contracting From a Team Perspective." The goal of the conference was to provide a balance between systems, logistics, and operational contracting. Over 100 attendees received information and discussed areas ranging from current policy and processes supporting our contingency contracting mission to the latest initiatives resulting from the Procurement and Contract Administration Process Action Teams formed by the Office of the Secretary of Defense. Topics briefed included: Acquisition Reform, Federal Acquisition Streamlining Act, Streamlined Practices, Statement of Work Streamlining, Contingency and Task Order Contracting, Award Fees, IMPAC Cards, Source Selection, Lean Logistics Initiatives, Anti-Deficiency Act, and Logistics Improvements in Customer Support (CLS). If you are interested in obtaining copies of the briefings, contact your command headquarters or SAF/AQCS, Mr. James Adams, DSN 225-1997.

As with any conference, the customers established action items for the Air Force Secretariat. For status of all the action taken, contact SAF/AQCS. Below is a sampling of the action items and their current status:

a. Class Justifications and Approvals to AFFARS: Prepare and issue update to cover use of class J&As. The draft coverage has been prepared and should be issued by Fall 1995.

b. SAF/AQCS increase their use of electronic mediums to transmit changes in key areas of policy and processes. This is a continuing action and we are investigating the creation of a bulletin board, templates, etc., to better disseminate information.

As a result of the extremely positive feedback from the conference participants, we are planning a second conference next Spring, again in Washington. If you have topic areas that should be discussed, provide them to SAF/AQCS, Colonel Steve Busch, DSN 227-7714.

## PROGRAM HIGHLIGHTS

The legislative changes of FASA are just a part of overall acquisition reform. Cultural changes in the acquisition system are also under way. In May 1995, Mrs. Druyun, the Acting Assistant Secretary for Acquisition, announced eight Lightning Bolt initiatives to "energize" the change process. While the change process continues to gather steam, some programs have already been breaking new ground in systems acquisition. A brief synopsis of two of the early pioneers follows:

**JPATS:** The Joint Primary Aircraft Training System (JPATS) is a joint Air Force and Navy program that will provide new primary trainers to replace our T-37B and the Navy's T-34C. This program was identified by FASA as a Pilot Program and as such was a test bed for legislative relief as well as many innovative ideas. Not only were waivers obtained to regulations (DoD and Air Force) but the relationships between offices were positively influenced. A team approach was established between the OSD staff and the Air Force. This added cooperation is resulting in a streamlined milestone review process that will result in a Defense Acquisition Board review in six weeks rather than six months. In true Pilot program fashion, this program is forging a trail that is already being adopted for other programs and will soon be the standard.

**EELV:** The Evolved Expendable Launch Vehicle (EELV) is a launch system which includes launch vehicles, launch services, facilities, support equipment and payload integration. The acquisition was identified by the Secretary of the Air Force as an Air Force Lead Program to incorporate as many innovative features as possible. It was the second program to use the Single Acquisition Management Plan (SAMP) that has become part of Mrs. Druyun's Lightning Bolt initiatives. The SAMP was written by an Integrated Process Team (IPT) consisting of representatives from the program office, the Air Force Secretariat, and OSD personnel. Approval of the SAMP constituted approval of: a Fixed Price Determination which authorized a fixed price type contract using Research, Development, Test and Evaluation (RDT&E) funds; waiver of the OUSD(A&T) review of the initial Request for Proposal, except for specific areas; and authorization to release the SAMP to the offerors awarded contracts for the first module of this acquisition.



# **ELECTRONIC CONTRACTING -- THE FUTURE IS HERE**

The Federal Acquisition Streamlining Act of 1994 (FASA) established the Federal Acquisition Computer Network (FACNET). FACNET will be the government-wide architecture for the acquisition of supplies and services. FACNET will exchange acquisition information between the government and the private sector, employ nationally and internationally recognized data formats, and provide universal user access.

**EFFECTIVE DATE OF REGULATORY IMPLEMENTATION:** The interim rule to implement the simplified acquisition and FACNET requirements of FASA was published in the 3 July 1995 issue of the Federal Register.

**WHAT CHANGED?** With FASA implemented, all contracting activities can use simplified acquisition procedures from the micro-purchase threshold (\$2,500) to \$50,000. Once a contracting activity has achieved interim FACNET certification, that activity will be allowed to use simplified acquisition procedures between \$2,500 and \$100,000. The activity will not be required to maintain source lists for acquisitions completed via FACNET and will not be required to display solicitations for acquisitions completed via FACNET. Further, a contracting activity that is interim FACNET certified is not required to publish synopses or notices of award completed via FACNET in the *Commerce Business Daily (CBD)*. These CBD requirements are considered to be met by electronic transmission on FACNET.

A contracting activity may continue to operate with the \$100,000 threshold under interim FACNET certification until 31 December 1999. After that date, if full FACNET certification has not been accomplished by the agency, the simplified acquisition threshold for every contracting activity in that agency will revert to \$50,000.

**WHAT IMPACT WILL THIS HAVE ON FIELD ACTIVITIES?** Field activities will benefit from interim FACNET certification because the activity will have their threshold for simplified acquisition increased to the \$100,000 level at least until 1 January 2000. Those procurements that are advertised and awarded via FACNET will significantly reduce our paperwork, by relieving us of the requirement for posting solicitations, publishing CBD notices and maintaining source lists.

## **CONTINGENCY CONTRACTING -- WORLDWIDE SERVICE**

During 1994, Air Force contracting officers were again deployed to participate in many joint exercises and actual contingency operations, including Provide Comfort (supporting life for the Kurds in Iraq) and the operation to restore democracy in Haiti. The Air Force contracting community continued its efforts to ensure that its members were properly prepared for such duties.

- MAJCOMs, the Air National Guard, the Air Force Reserves, and representatives from the Joint Staff participated in a number of contingency contracting conferences held to work out issues on guidance, training and support equipment for deployed contracting personnel.

- The Federal Acquisition Streamlining Act of 1994 raised the threshold for using simplified acquisition procedures while on a deployment from \$100,000 to \$200,000.

- USAFE/LGC sponsored a Contingency Contracting Competition in which USAFE contracting personnel from installations all over Europe came to Ramstein AB to participate in a competitive exercise involving contingency contracting scenarios, physical conditioning, "buddy care" and first aid, firearms proficiency, and simulated warfare. The success and utility of this effort led to SAF/AQC's decision that Contracting would join with the Comptroller's "Top Dollar" Air Force-wide contingency support competition during 1995.

- AFFARS "Appendix CC," covering contingency contracting, appeared in June 1994. It contains more extensive procedures and guidance for contingency contracting teams.

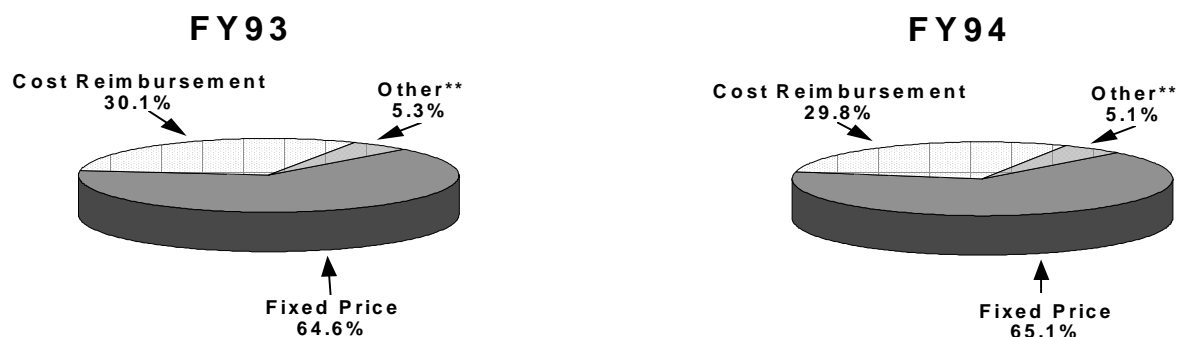
- SAF/AQC policy memo dated 11 January 1995 on Internal Procedures for use of IMPAC credit cards addresses expanded use of the cards in deployment situations.

# CONTRACT PRICING -- CHANGING TIMES AND METHODS

Contract Pricing continues to evolve to increase efficiency and adapt to new reform initiatives. Highlights in the pricing area include:

- In September 1994, SAF/AQCP hosted a pricing chiefs' workshop. A major theme of the workshop was use of commercial pricing practices by the Air Force. Several commercial companies furnished speakers to explain how they determine price reasonableness without the benefit of cost data. We are continuing efforts to develop additional guidance to adjust to the increasing emphasis on adoption of commercial practices.
- SAF/AQCP has been highly involved on four of the teams drafting regulatory language to implement the Federal Acquisition Streamlining Act of 1994. These teams covered Contract Audit, the Truth in Negotiations Act, Contract Financing, and Cost Principles. The changes will significantly impact Air Force pricing methods in the next year and beyond.

## AIR FORCE OBLIGATIONS -- CONTRACT TYPE\*



\* Actions over \$25,000 or more excluding GSA Schedules, FMS and awards to other Federal Agencies  
 \*\* Other includes time and material and labor hour type contracts

Source: SAF/AQCI

## REPORTABLE DCAA AUDITS

- The total number of reportable DCAA audits (e.g., defective pricing, claims, etc.) has declined significantly since 1991. They have decreased from 781 reports in 1991 to 456 reports in 1994.
- The overall sustention rate (the rate which AF upholds the DCAA recommendations) has remained above 60% for the last four reporting periods. The sustention rate for closed defective pricing audits has fluctuated over the same period, reaching a low of 55% in March 1994, and a high of 81% in September 1993.
- Over the last year, reviews of the semi-annual audit programs at various locations by the DoDIG have been very positive, requiring only minor corrections. We appreciate your efforts in maintaining an effective AF audit follow-up system.
- The DoDIG is currently in the process of revising the guidance on audit follow-up reporting. Besides editorial changes and clarifying guidance, significant revisions are proposed. Reportable audits will include Cost Accounting Standards cost impact statements and compensation, insurance and pension reviews. Also, the guidance on the recovery of debts is completely updated. Finally, there will be an additional reporting requirement. We will be required to report the date of the original audit report when there is (are) superseding audit(s) until the issue is finally dispositioned.

# CONTRACT ADMINISTRATION

During 1994, Air Force acquisition programs continued to benefit from Defense Contract Management Command's efforts to improve contract administration through initiatives like Early CAS and Process Oriented Contract Administration Services (PROCAS). Early CAS promotes partnership between the buying office and DCMC before contract award while PROCAS involves teaming with contractors to assess risks and improve and monitor contractor processes. Many other initiatives in the administration arena were started or continued over the past year:

- The Air Force endorsed approval of USD(A&T)'s Contract Administration Reform Process Action Team report which contained recommendations including: automation, technical representatives, oversight of overhead rates, and contract close out. Implementation of 35 recommendations is under way.

- Development of a proposed class deviation which reduces contractor requirements for tracking and performing physical inventories on plant equipment, special test equipment, and special tooling with an acquisition cost of \$1500 or less. The Government's responsibility to survey these items is also reduced. The deviation was approved on 14 July 1995.

- SAF/AQCP is participating on the FAR Part 45 Government Property Rewrite Team which is headed by the Director of Defense Procurement. This effort is intended to improve the clarity of the policy and clauses, reduce unnecessary burden on contracting officers and contractors, and streamline the processes of providing Government property to contractors and disposing of it.

- A review has been conducted of the Government property coverage in the ALMC and AFIT contracting courses. The guidelines have been revised regarding what material should be presented to students and the competency levels have been reviewed. The courses are being revised accordingly.

- In the contractor flight operations arena, SAF/AQCP developed and coordinated a method of ensuring annual evaluation flights of Air Force aircrews assigned to Defense Contract Management Command are accomplished with support from the MAJCOMs, as necessary.

## **Contract Debts (FAR Subpart 32.600):**

- The processing of a deferment through appropriate channels should not exceed 30 days.
- Effective 30 April 1995, the Treasury Department closed the bank lockbox in Chicago, IL. The new bank lockbox address for Demand Letters is:  
DFAS-CO-FDP  
P.O. Box 955515  
St. Louis, MO 63195-5515
- Checks received should be deposited with Accounting and Finance the same day as receipt.

## REFORMATION OF AIR FORCE CONTRACTING REGULATIONS

In 1994 we said good-bye to our old friends in the 70 Series of Air Force Regulations. Several of our former AFRs were reformatted and greatly shortened in compliance with CSAF direction to implement a new series of Policy Directives, Instructions, and Manuals, which appeared in the new "64" series. We also added two new AFFARS Appendices. Among the key changes were:

- Appendix CC, "Contingency Operational Contracting Support Program," replaced AFR 70-7. It contains revised guidance and procedures based on Operation Desert Storm and the subsequent deployments of many contracting personnel to support various contingency operations and joint exercises.

- Appendix DD, "Simplified Acquisition of Base Engineer Requirements (SABER) Program," provides policies, procedures, and guidelines for implementing and managing the SABER program. It replaced a series of joint AQC/CE policy letters.

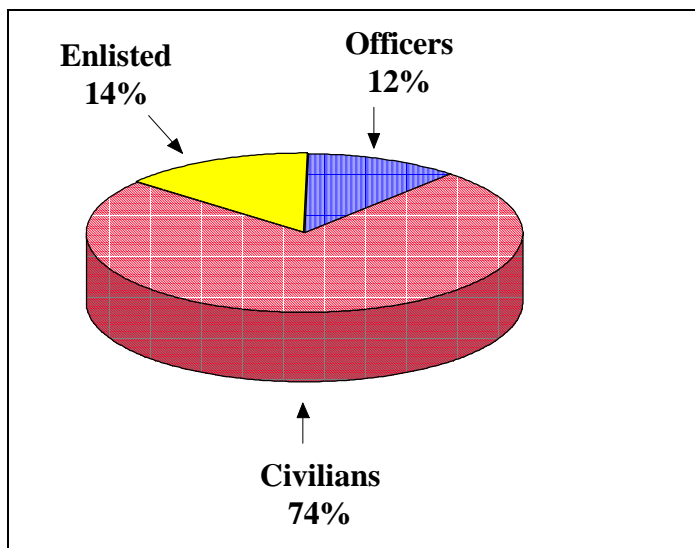
- Air Force Manual 64-108, "Service Contracts," established a systematic process for developing a performance work statement with measurable performance standards; the basis for payment for only those services meeting established standards; and a quality assurance surveillance plan. It prescribes procedures for doing quality assurance evaluations during contract performance. This manual assigns responsibilities for and applies to commanders, contracting and functional area personnel that are involved in all facets of service contracting. It replaces AFR 70-9, AFR 400-28, and AFP 400-29, and is applicable to all service contracts, not just base-level service contracts.

# PEOPLE -- CONTRACTING'S "GO" POWER!

People are Contracting's key to success! Our 9,000 professionals apply their expertise daily in acquiring for and supporting the world's strongest Air Force.

**WHO ARE WE?** Air Force Contracting is a team of dedicated civilian, officer, enlisted personnel, and foreign nationals committed to user support and technical excellence. Our talented people work across the total spectrum of responsibilities -- procurement clerk/assistant, cost/price analyst, negotiator, contracting officer, administration, purchasing agent, supervisor, superintendent, etc., -- all making a valuable contribution.

## A Diverse Team.....

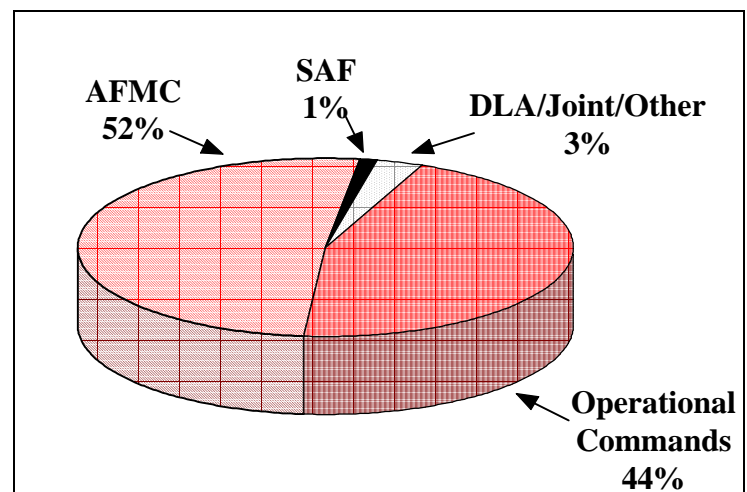


### FY94 Assigned Strength:

Civilians	6,532
Enlisted	1,196
Officers	1,045
<u>Foreign Nationals</u>	<u>258</u>
<b>Total</b>	<b>9,031</b>

**WHERE DO WE SERVE?** In important positions at all levels throughout the Air Force and Department of Defense.

## .....In Diverse Locations!



### FY94 Assigned Strength:

AFMC	4,583
Operational Commands*	4,097
SAF	50
<u>DLA/Joint/Other</u>	<u>301</u>
<b>Total:</b>	<b>9,031</b>

**\*Includes Foreign Nationals**

# PEOPLE -- OUR MOST VALUED RESOURCE

## 1994 People Highlights

Our contracting community is a dedicated civilian and military team. Our Contracting personnel and their managers continue to set high standards for themselves in both training and education. We are proud of their accomplishments.

- Over 85% of our Contracting population is certified at Level I, II, or III and match the certification level requirements of their positions. AFMC, for example, has an 87% certification match to position, leading all other AFMC acquisition functionals.

- Contracting pays close attention to ensure that all GS-14/Lt Cols and above positions (critical acquisition positions) are filled with people who are Level III certified. The vast majority are in AFMC, with a 97% match rate; again, leading all other acquisition functionals.

Other highlights included:

- Seventy (70) percent of GS/GM-1102-13/15 population have received 80 hours of management training desired for Level III APDP certification.

- Provided tuition assistance to 446 civilian employees.

- Issued 204 referral certificates for GS-12 through GM-15 positions.

- Twenty (20) percent of referral selections required PCS to new position.

- Sent ten of our civilians to long-term full-time training at military and civilian institutions.

- Established additional civilian GS-12/14 Career Broadening slots, bringing the Air Force-wide total to 20.

- Filled 11 Career Broadening positions.

- Hired 80 new COPPER CAP interns.



*NOTE: AFPEO/CM has developed a user friendly Acquisition Professional Development Program management information system that quickly portrays the professional development health of our Contracting, Purchasing, and Industrial property work forces. It can do it by individual, by field location, by MAJCOM, or Air Force-wide. Final bugs will be worked out shortly and all MAJCOMs will be able to monitor and manage their personnel's professional development much more efficiently than in the past.*



## THE 1994 AIR FORCE CONTRACTING AWARD WINNERS

Secretary of the Air Force Professionalism in Contracting Awards

**Supervisory** - Captain Scott M. Stewart, 48 CONS/LGC, RAF Lakenheath UK

**Non-supervisory** - Ms. Claire M. Day-Barry, ACC CONS/COU, Langley AFB VA

### Javits-Wagner-O'Day Act Awards

**President's Committee Award - 10 ABW/LGC, USAF Academy CO**

**Chairman's Award** - Mr. Lawrence J. Bulman, 28 CONS/LGC, Ellsworth AFB SD

### Contracting Unit Awards

**Operational - 16 CONS, Hurlburt Field FL**

**Specialized - USAFE CONS, Ramstein AB GE**

**Systems or Science and Technology - WR-ALC/PK, Robins AFB GA**

### Individual Awards

**Staff Officer** - Capt Martin G. Bobak, HQ ACC/LGC, Langley AFB VA

**Pricing** - Mr. Mark J. Cruz and & Mr. Timothy M. Haney, 21 CONS/LGCW, Peterson AFB CO

**Operational Officer** - Capt David R. Hinson, AFDTC/PK, Eglin AFB FL

**Specialized Officer - Capt Mary R. Weirick, 21 CONS/LGCXA, Peterson AFB CO**

**Systems or Science & Technology Officer - Capt Mark W. Dillon, ASC/YPK, Wright-Patterson AFB OH**

**Airman** - SrA Daniel P. Kenison, AFDTC/PKO, Eglin AFB FL

**NCO - MSgt (S) Oben C. Ledford, 16 CONS/LGCV, Hurlburt Field FL**

**Senior NCO** - MSgt James E. Frye, 30 CONS/LGCOK, Vandenberg AFB CA

**Operational Civilian** - Mr. Paul S. Ilg, 16 CONS/LGCS, Hurlburt Field FL

**Specialized Civilian** - Ms. Lisa J. Megchelsen, 21 CONS/LGCN, Peterson AFB CO

**Systems or Science & Technology Civilian** - Ms. Tessy P. Smith, WL/PK, Wright-Patterson AFB OH

**Purchasing** - Ms. Christine E. Murphy, 436 CONS/LGCS, Dover AFB DE

**Contracting Support** - Ms. Sharon M. Galle, 81 CONS/LGCW, Keesler AFB MS

**Quality Assurance Evaluator - Kathie P. Gravenhorst, 611 LSS/LGOG, Elmendorf AFB AK**

**Reservist - Maj Joseph W. Mason, OO-ALC/PK, Hill AFB UT**

### *Outstanding Contribution to Air Force Competition Awards*

### *Individual Awards*

**Line Function** - Ms. Teresa J. Faddis, Shaw AFB SC

**Staff Function** - Col Walter P. Petrofski, Peterson AFB CO

### ***Organizational Awards***

Unit - Oklahoma City Air Logistics Center, Tinker AFB OK

MAJCOM - Air Education and Training Command, Randolph AFB TX

## Congratulations to "The Best of the Best!"